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ESTIMATED U.S. PETROLEUM BALANCE

SUMMARY

Total domestic petroleum products supplied in March fell 90 MBD (0.6%) below year-ago levels but, for the first quarter as a whole, exceeded prior-year levels by 736 MBD (4.9%). Colder January and March weather and the effects of heightened economic activity helped to increase product supplied levels during this year's first quarter compared with the corresponding 1983 period. Overall, we estimate that rising economic activity and colder weather caused delivery levels to increase by about 700 MBD and 100 MBD, respectively, while adjustments in non-primary inventories provided a net offset of about 70 MBD. Attached Exhibit I traces the level of deseasonalized total products supplied since the beginning of 1982.

Crude production fell about 78 MBD (0.9%) during the first quarter. Slight Alaskan production increases early in the quarter were more than offset by lower March production resulting from a temporary operational problem at the Alaskan pipeline. The net effect was to reduce Alaskan production for the quarter by about 40 MBD compared with the prior year. A decline of roughly similar size was experienced in lower 48 production. Imports rose both in March and for the first quarter as a whole, exceeding year-earlier levels by 46% and 41%, respectively. Imports during last year's first quarter apparently were deferred because of crude price uncertainty. This factor accounted for about two-thirds of the current-year increase; economy-related increases in petroleum product demand and colder weather were largely responsible for the remainder. Total inventories decreased in March, though the decline did not differ significantly from the normal seasonal pattern. Crude oil inventories are still high, while major product stocks are at adequate levels for this time of year.

Drilling activities showed mixed results. The number of rigs active in March fell some 3% from February levels on a seasonally-adjusted basis. March data for wells reported drilled are not yet available. February had shown an increase of more than 7½% over the year-earlier period. Seismic activity experienced a small downward drift, on a deseasonalized basis.

PRODUCTS SUPPLIED[1/]

Gasoline

March's level of gasoline supplied was about 554 MBD (8.1%) less than a year ago while, for the first quarter, delivery levels dropped 50 MBD (0.8%). Because of a federal excise tax increase, effective April 1, 1983, and some secondary storage replenishment, it appears that last March's deliveries were inflated by some 500 MBD (see Exhibit II), raising the first quarter 1983 delivery level by some 170 MBD. There are indications moreover that, in this year's first quarter, non-primary inventories fell about 100 MBD. If the quarters are adjusted to reflect these departures, we estimate that actual consumption increased more than 200 MBD, or over 3%, from the first quarter of last year, roughly in line with the rate of increase that prevailed in late 1983.

Gasoline prices rose minimally in March. While about 2½¢ higher than last year, on an inflation-adjusted basis (even when the 6¢ increase in federal, state, and local taxes since last April is considered) they still trail early 1981 highs by about 35¢, or more than 20%. Real disposable income has been on the rise and, combined with the relative stability of gasoline prices over the past year, has been a major factor in strengthening gasoline demand.

In a roughly 6½ point year-to-year advance, unleaded gasoline's share of the total gasoline market approached 60% in March. The upsurge in unleaded's March share, coming on top of February's 5-point increase, reflects the cumulative effect of consistently high new car sales over the past year.

Distillates

Distillates were supplied at 276 MBD (9.5%) and 338 MBD (11.9%) higher rates during March and the first quarter, respectively, than in the corresponding year-earlier periods. Last March's somewhat higher deliveries, in part prompted by purchases for end-user storage prior to a 4/1/83 federal tax increase, in the main offset declines experienced early in that quarter because of crude price uncertainties. In 1984, sizable purchases for replenishment of non-primary storage following cold spells early in the quarter appear to have inflated deliveries in the quarter by some 50 MBD (see Exhibit III).

Colder winter weather and substantial increases in truck and rail traffic were major contributors to the remaining increase of nearly 300 MBD in distillate deliveries. Weather factors added 60-70 MBD to first quarter deliveries. The balance, in the main, is the result of growing year-to-year increases in truck and rail traffic. During March, for example, rail traffic rose an estimated 16%. Meaningful March truck traffic data are not yet available. However, if the roughly 12% average rate of increase of the prior two months was maintained in March, the total impact of rising rail and truck traffic is likely to have added some 200 MBD to distillate demand. Strength in other sectors, especially in the "off-highway" sector affected by increased construction activity, also contributed to the higher level of distillates supplied.

Residual Fuel Oil

While about 106 MBD below last March's residual fuel oil supplied level, the first quarter as a whole showed a 115 MBD (7.3%) increase over the corresponding 1983 quarter, partly as a result of stock replenishment in non-primary storage in January (see Exhibit IV attached). With gradual economic recovery worldwide, shipping activity levels have also rallied. As a result, the year-to-year decline in bunker fuel sales appears to have been virtually halted. Sales toward the end of 1983, for example, were running some 30 MBD below those of corresponding 1982 months - about half the decrease experienced early in the year - while a comparison of January 1983/84 data shows sales of equal volume for both periods. It appears likely that the remainder of the quarter conformed to that trend.

With bunker fuel sales likely to have remained about even with last year's, increases in the remaining sectors are believed to have been split about 2/3-1/3 between higher use by electric utilities and the "industrial and other" sector. Electricity production continued at a strong pace, rising about 8% over last year's level during the first quarter. In part at least, this increase is undoubtedly weather-related, as during peak production months last year, readily-obtainable residual fuel oil appears to have been used by utilities as the incremental fuel source. The remainder of the improvement in total residual fuel oil deliveries is attributable to higher consumption in the "industrial and other" sector. While partially also weather-related, a small additional increase may have been experienced in strictly industrial applications, such as process heat.

Kerosine Jet Fuel

Kerosine jet fuel was supplied at an 8% higher rate in March than a year ago; the increase for the quarter was 18% (144 MBD). Both rates are too high to reflect a true change in demand; rather, a substantial portion of the increase is likely to have involved adjustments in end-user storage. With constant infusion into the air fleet of planes having more fuel-efficient engines, the true demand increase for kerosine jet fuel is likely to have been well below 6%, the average rate at which "miles flown" have been increasing over the past year.

Other Oils

Other oils were supplied at a close-to-200 MBD higher rate in this year's first quarter than a year ago. A small portion of the increase apparently was the result of higher propane sales caused by colder weather than last year. The bulk, however, reflects a strong surge in the chemical industry - and related manufacturing industries - and heightened activity in road construction and maintenance.

(In millions of B/D)	MARCH ESTIMATES			YEAR-TO-DATE ESTIMATES		
	1984	1983	% Change	1984	1983	% Change
—Total domestic products supplied	15.4	15.5	(0.6)	15.8	15.0	4.9
—Motor gasoline supplied	6.3	6.8	(8.1)	6.2	6.3	(0.8)
—Distillate fuel oil supplied	3.2	2.9	9.5	3.2	2.8	11.9
—Residual fuel oil supplied	1.5	1.6	(6.8)	1.7	1.6	7.3

PETROLEUM SUPPLY[1/]

Total supply rose 1,522 MBD during the first quarter when compared with last year, essentially as a result of higher imports.

Production

Crude oil production fell about 78 MBD during the first quarter. An operational problem disrupted normal flow through the Alaskan pipeline for several days, reducing average March flow by about 180 MBD. Though slightly ahead of last year during January and February, this disruption resulted in reducing Alaskan production for the first quarter as a whole by about 40 MBD. Lower 48 production fell in a roughly equal amount; part of that decrease may be related to poor weather conditions early in the quarter.

Imports

When adjusted for seasonal variations, there was little change in import levels in March from the prior month. On a year-to-year basis, both March and the first quarter showed increases of more than 1½ million barrels per day over corresponding year-ago periods. But last year's levels reflect the uncertainty then prevailing as to when - and by how much - oil prices would decline and a resultant deferral of purchases. This factor alone accounts for about two-thirds of the increase. The remainder mainly reflects a more-than-200 MBD increase each in the imports of distillates and residual fuel oil, related to colder weather during the quarter in the case of both distillates and residual fuel oil plus increased demand for asphalt, often a production alternative, in the case of residual fuel oil.

Net imports in the first quarter represented a dependency rate of 29%, roughly in line with the average that had prevailed since mid-1983.

Mexico continued to be the leading supplier during January, followed by Canada, Venezuela and Saudi Arabia in that order.

Inventories

Total inventories fell roughly in line with historical experience. Despite a continued reduction in crude oil inventories, crude stocks, at 28 days of daily crude oil input, are still about 50 million barrels above needed levels.

Gasoline inventories ended March at 39 days of supply, in line with the average since the mid-seventies.

Distillate stocks fell about 20 million barrels, roughly equal to historical movement for this time of year. It is interesting to note that the seasonally-adjusted increase in distillate inventories during February was about twice as large as the total draw in December and January combined as refinery production of distillate responded to the heavy draw on inventories caused by cold spells in those two months.

Distillate inventories represent 35 days of supply, somewhat below the average since the mid-seventies. However, with the end of the heating season approaching, crude stocks in ample supply, and additional refining capacity readily available, distillate supplies are considered fully adequate.

Refinery Operations

During the first quarter, input to distillation units was almost 900 MBD (7.7%) higher than last year. Combined with a roughly 550 MBD decline in operable capacity, the increased input raised the refinery utilization rate to about 74%, some 7½ percentage points over last year's. The three-to-four million barrels of potentially-available additional capacity at a time of excess crude stocks continues to instill flexibility into the refining sector.

Exploration

The number of active rigs fell 3% from February levels on a seasonally-adjusted basis. Wells reported drilled rose about 7.6% in February over prior-year levels. March well data are not yet available.

The seismic crew count, an accepted indicator of long-range drilling, on a seasonally-adjusted basis experienced a small downward drift if adjustment is made for a recent change in the number of survey respondents.

(In millions of B/D)	MARCH ESTIMATES			YEAR-TO-DATE ESTIMATES		
	1984	1983	% Change	1984	1983	% Change
—Total supply	15.8	14.3	10.9	16.3	14.7	10.3
—Crude production[2/]	8.5	8.7	(1.8)	8.6	8.7	(0.9)
—Crude oil imports[3/4/]	3.3	2.0	64.5	3.1	2.3	36.7
—Product imports	1.7	1.4	18.4	2.1	1.4	48.9

1/ Total supply, i.e., production plus imports adjusted for net stock change is equal to total products supplied from primary storage. Total products supplied from primary storage less exports is equal to total domestic products supplied. Information contained in this report is derived from information published in the API Weekly Bulletin and is based on historical analysis of the industry. All data reflect the most current information available to the API and include all previously published revisions.

2/ Includes lease condensate.

3/ Beginning with January 1977, the U.S. Department of Energy began reporting crude oil imports as of the date of importation. Previously, this data, with the exception of Canadian crude imports, was reported as of the date it was received at the refinery. This change may affect both the level of crude oil imports and crude oil stocks. API estimates of these data may, therefore, differ slightly from those of the U.S. Department of Energy.

4/ API data do not include crude oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR (according to the U.S. Department of Energy, the SPR held approximately 392 million barrels as of March 31, 1984).

ESTIMATED UNITED STATES PETROLEUM BALANCE

(Daily Average in Thousands of 42 Gallon Barrels)

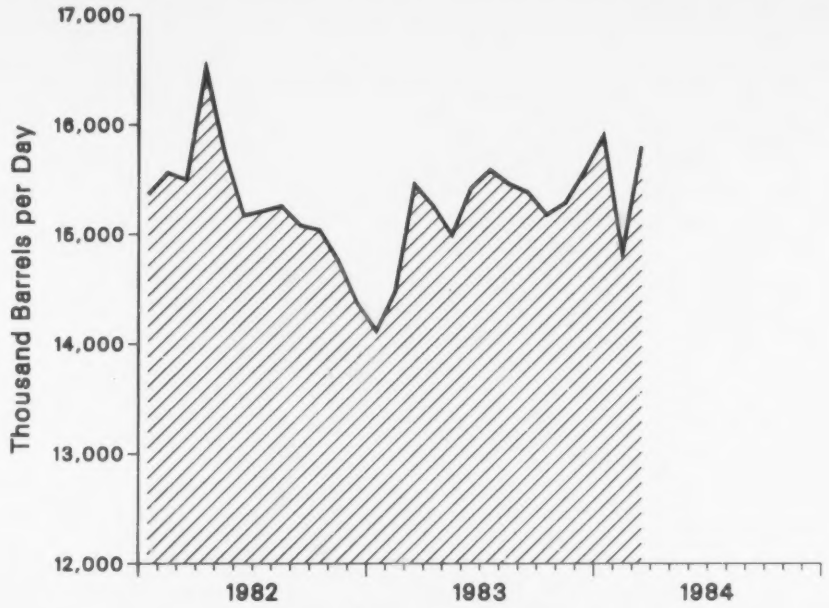
Products Supplied/Supply From Primary Storage	MARCH			YEAR-TO-DATE		
	1984[1]	1983[2]	% Change	1984[3R]	1983[2]	% Change
Products Supplied:						
Total motor gasoline	6,289	6,843	(8.1)	6,241	6,291	(0.8)
Finished leaded motor gasoline*	2,545	3,223	(21.0)	2,576	2,876	(10.4)
Finished unleaded motor gasoline*	3,744	3,620	3.4	3,665	3,415	7.3
Naphtha-jet	205	221	(7.2)	201	213	(5.6)
Kerosine-jet	863	798	8.1	933	789	18.3
Distillate fuel oil	3,176	2,900	9.5	3,168	2,830	11.9
Residual fuel oil	1,464	1,570	(6.8)	1,686	1,571	7.3
All other oils[4]	3,579	3,257	9.9	3,716	3,522	5.5
Reclassified[5]	- 180	- 103	74.8	- 192	- 199	(3.5)
Total domestic products supplied	15,396	15,486	(0.6)	15,753	15,017	4.9
Exports	630	801	(21.3)	612	880	(30.5)
Total products supplied	16,026	16,287	(1.6)	16,365	15,897	2.9
Supply:						
Domestic production:						
Crude oil[6]	8,510	8,665	(1.8)	8,609	8,687	(0.9)
Natural gas liquids	1,626	1,544	5.3	1,611	1,599	0.8
Other supply[7]	706	645	9.5	807	750	7.6
Total domestic supply	10,842	10,854	(0.1)	11,027	11,036	(0.1)
Imports:						
Crude oil, total	3,342[10/]	2,031[10/]	64.5	3,118[10/]	2,281[10/]	36.7
Canadian	332	247	34.4	292	249	17.3
Other	3,010	1,784	68.7	2,826	2,032	39.1
Products, total	1,655	1,398	18.4	2,112	1,418	48.9
Residual fuel oil	599	686	(12.7)	890	671	32.6
Other	1,056	712	48.3	1,222	747	63.6
Total imports	4,997	3,429	45.7	5,230	3,699	41.4
Total supply	15,839	14,283	10.9	16,257	14,735	10.3
Stock change, all oils	- 187	-2,004	XXXX	- 108	-1,162	XXXX
Refinery Operations						
Input to crude oil distillation units	12,125	11,118	9.1	12,051	11,186	7.7
Operable capacity	16,305	16,848	(3.2)	16,269	16,832	(3.3)
Refinery utilization (%)[8]	74.4%	66.0%	12.7	74.1%	66.5%	11.4
Crude oil runs	11,901	10,854	9.6	11,823	10,860	8.9

Stocks (millions bbls.)	1984		1983[2]	% Change from ...	
	Mar. 31[9]	Feb. 29[9]	Mar. 31	Previous Month	Year Ago
Crude oil [10/]	333.8	337.1r/	358.6	(1.0)	(6.9)
Unfinished oils	113.5	105.8r/	111.3	7.3	2.0
Total motor gasoline**	244.8	235.7	224.1	3.9	9.2
Finished leaded motor gasoline*	101.2	96.8	91.3	4.5	10.8
Finished unleaded motor gasoline*	101.4	97.3	92.4	4.2	9.7
Naphtha-jet	6.7	6.2	7.4	8.1	(9.5)
Kerosine-jet	34.2	33.1	34.9	3.3	(2.0)
Distillate fuel oil	110.2	129.8r/	118.7	(15.1)	(7.2)
Residual fuel oil	48.0	52.1r/	46.3	(7.9)	3.7
All other oils	172.9	170.1r/	162.3	1.6	6.5
Total all oils	1,064.1	1,069.9r/	1,063.6	(0.5)	-

1/ Based on API estimated data converted to a monthly basis.
2/ Source: U.S. Department of Energy.
3/ Source: January, U.S. Department of Energy, February-March, API.
4/ Includes crude losses.
5/ Beginning with January 1981, U.S. Department of Energy began using a new data collection system which encompasses a method to ascertain the amount of product reclassified during the production phase. So that there will be no double counting of these volumes, they are subtracted from total domestic products supplied.
6/ Includes lease condensate.
7/ Includes Unaccounted-for crude oil, Refinery input of other hydrocarbons, and Processing gain.
8/ Represents "Input to crude oil distillation units" as a percent of "Operable capacity."
9/ Derived by interpolating API weekly stocks data.
10/ Data do not include oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR.
R/ Revised.
* Included in motor gasoline.
** Includes finished leaded, finished unleaded, and motor gasoline blending components stocks.

EXHIBIT I

SEASONALLY ADJUSTED TOTAL PRODUCT SUPPLIED



Sources: Department of Energy, American Petroleum Institute

EXHIBIT II

SEASONALLY ADJUSTED MOTOR GASOLINE SUPPLIED

Sources: Department of Energy, American Petroleum Institute

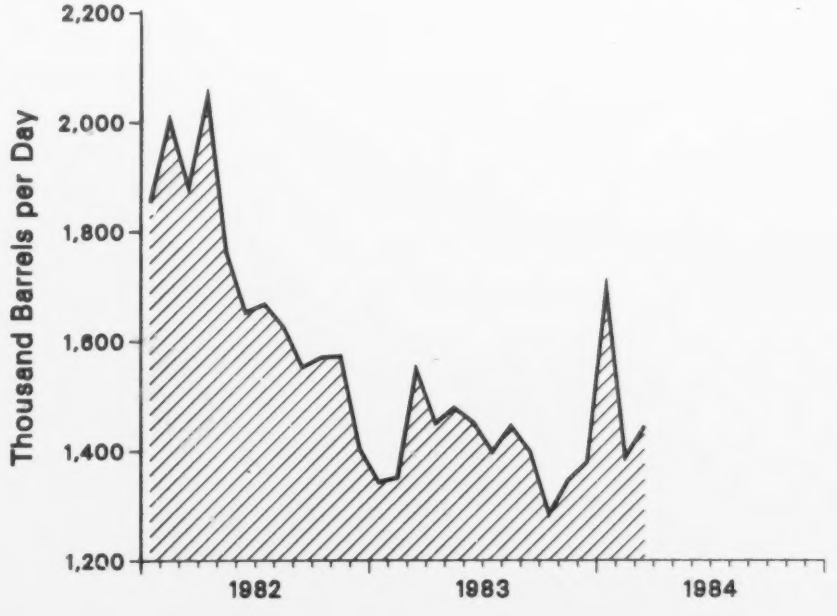
EXHIBIT III

SEASONALLY ADJUSTED, WEATHER ADJUSTED DISTILLATE SUPPLIED

Sources: Department of Energy, American Petroleum Institute

EXHIBIT IV

SEASONALLY ADJUSTED RESIDUAL FUEL OIL SUPPLIED



Sources: Department of Energy, American Petroleum Institute